

# The Real Estate ANALYST

OCTOBER 31  
1946

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends. Constantly measuring and reporting the basic economic factors responsible for changes in trends and values....Current Studies....Surveys....Forecasts

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VOLUME XV

REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## REGIONAL DIFFERENCES IN PER FAMILY INCOME

**T**HERE has been a rapid upward trend in the years since the beginning of the war in the importance placed by economists on income figures. Studies have been made by the hundreds of the relationship of disposable income to sales of almost all types of commodities and services. In most cases a very definite relationship has been shown to exist.

Income figures are hard to compile and have never been attempted on an exhaustive scale on a city-by-city basis. On pages 326 to 329 of this report, however, we show fifty charts giving the average income per family from 1929 through 1945 for the United States, for the 48 States and for the District of Columbia.

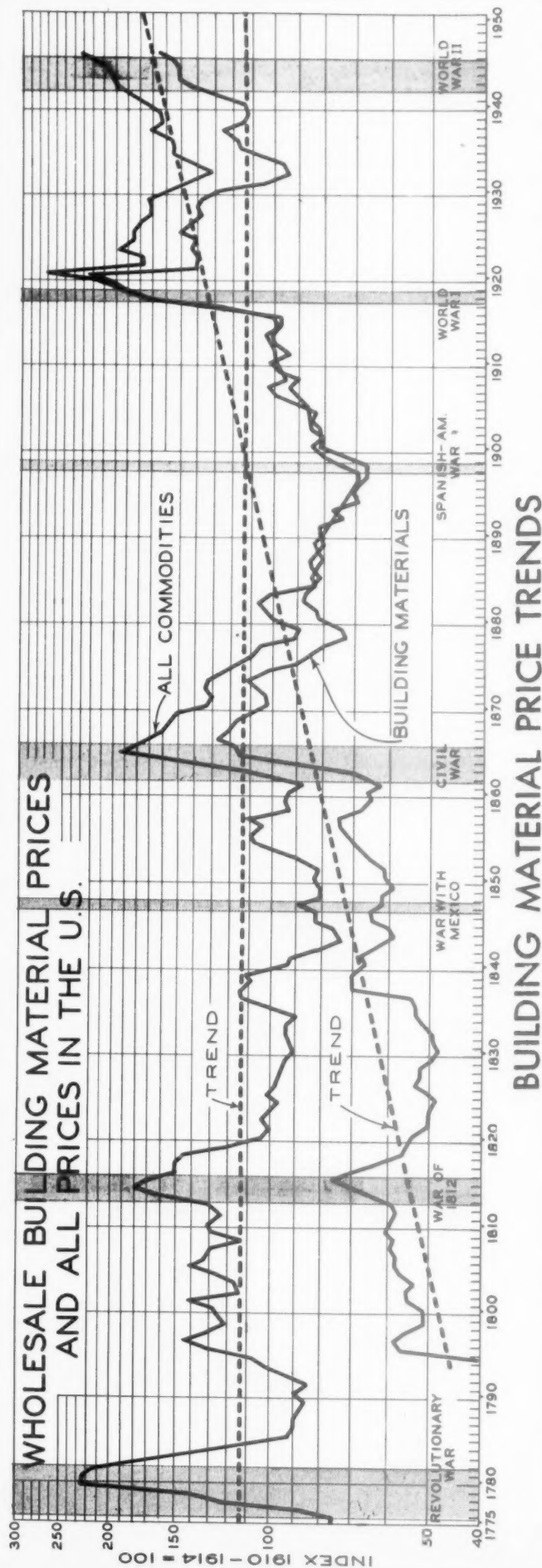
These charts are based on figures compiled by the Department of Commerce. The computations on a family basis are our own. We have adjusted the figures for Washington, D. C., to compensate for the large number of Washington employees living in Maryland and Virginia. We have made similar adjustments for the New York figures for the number of New York City employees living in New Jersey.

On each of these charts we have distinguished four types of family income - 1. that received from salaries and wages, including the pay of persons in the armed services; 2. proprietor's income; 3. property income, which includes dividends, interest and net rents and royalties; and 4. other income, which includes direct relief, pensions, compensation for injuries, social insurance benefits, and allowances and allotments paid to dependents of military personnel.

The State-by-State variations in average family income are great. In 1945 the highest per-family income in the United States was in New York State, where the average income was approximately \$5900. The District of Columbia ranked second with slightly less than \$5500.

The highest average wage and salary income per family in the United States received in 1945 was in the District of Columbia with approximately \$3900.

In 13 of the 48 States average income per family in 1945 was below the 1944 level. These States were California, Connecticut, Delaware, Maine, Maryland, Michigan, Montana, Nevada, New Jersey, Ohio, Oregon, Virginia and Washington. Income in Nevada has dropped each year for the last three years. The lowest average income per family in 1945 in any State was in the State of Mississippi with approximately \$2250. Of this, only \$980 was earned in salaries and wages, and this, too, was the lowest showing of any State for this item.



### BUILDING MATERIAL PRICE TRENDS

HERE has rarely been a time in the United States when prices have been stable for more than a few years at a time. The chart above shows the wild fluctuations in prices from 1775 to the present. It is surprising that over this entire period a horizontal line can be drawn which would act as a rough normal line, with prices fluctuating above and below this line.

The wholesale prices of building materials shown by the red line on this chart have many of the characteristics of the line showing general commodity prices. Every time in the past that general commodity prices have increased, there has been a tendency for building material prices to increase at the same time by at least as great a percentage. The surprising thing about this is that many of the rises in general commodity prices occurred in periods when no new building was taking place in the United States, but regardless of that fact building material prices still rose simultaneously. This would

indicate that in the short-term fluctuations of building material prices, monetary factors affecting all prices are more important in bringing about a change in price level than is the supply and demand situation in the building industry.

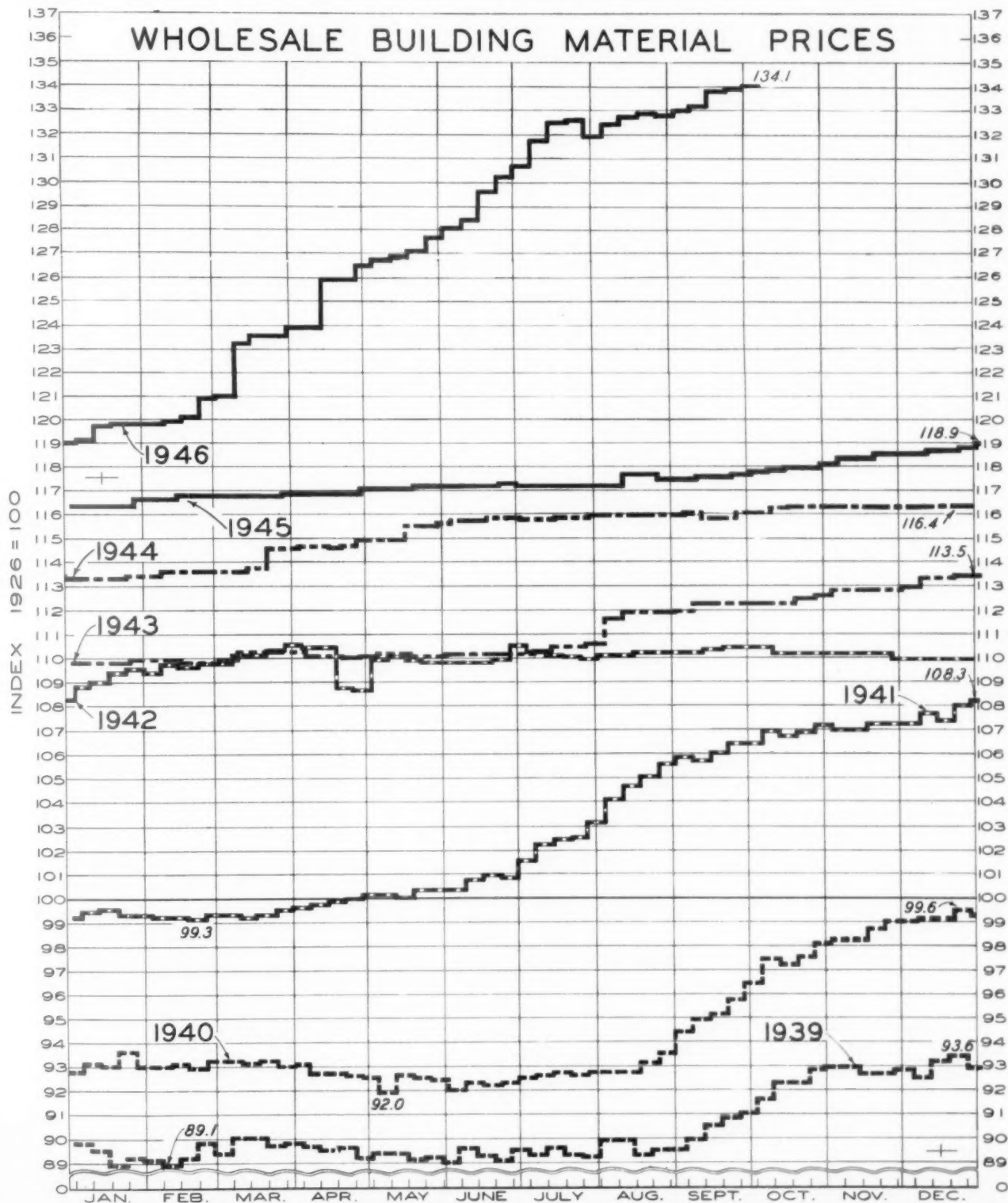
If a trend line is drawn through wholesale building material prices over the entire period for which figures are available, it will be seen that this line must slant steeply upward about as indicated on the chart. This means that the purchasing power of the dollar for building materials over the long period has not kept pace with the purchasing power of the dollar for commodities.

This difference in trend in building material prices probably has many explanations. In the early period, most building materials were used close to the point of manufacture; now, freight rates play a big part in many types of lumber and other materials.

## BUILDING MATERIAL PRICES

**W**HOLESALE building material prices rose faster in 1946 than in any period since the 1919-1920 rise after the First World War. From January 1 through the first week in October, building material prices have risen by 15.1 per cent.

The chart below shows the Bureau of Labor Statistics index of the price of building materials at wholesale from 1939 through October 5. At the present time in addition to the prices shown, some subsidies are being paid by the government,



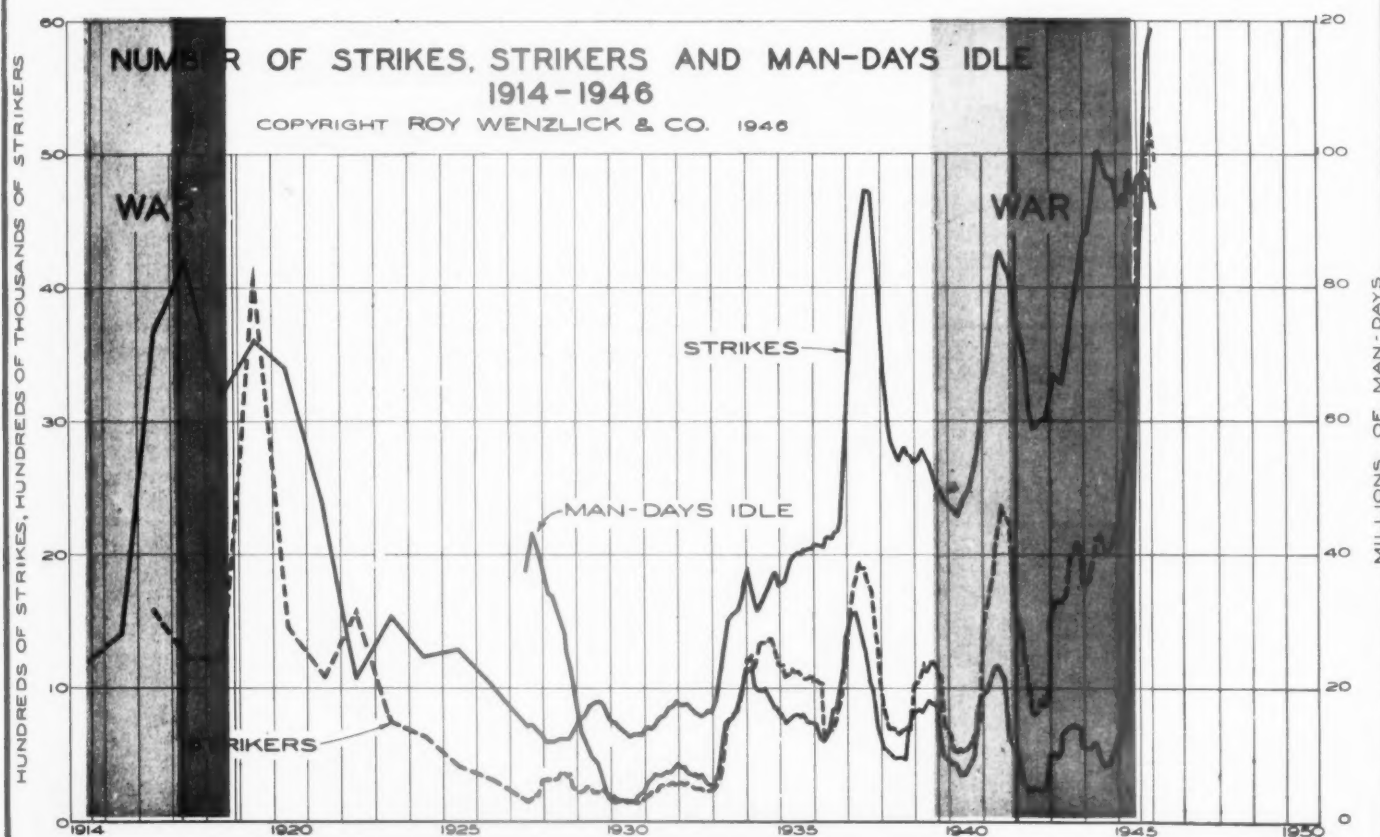


## STRIKES & LABOR TROUBLE SABOTAGING PRODUCTION

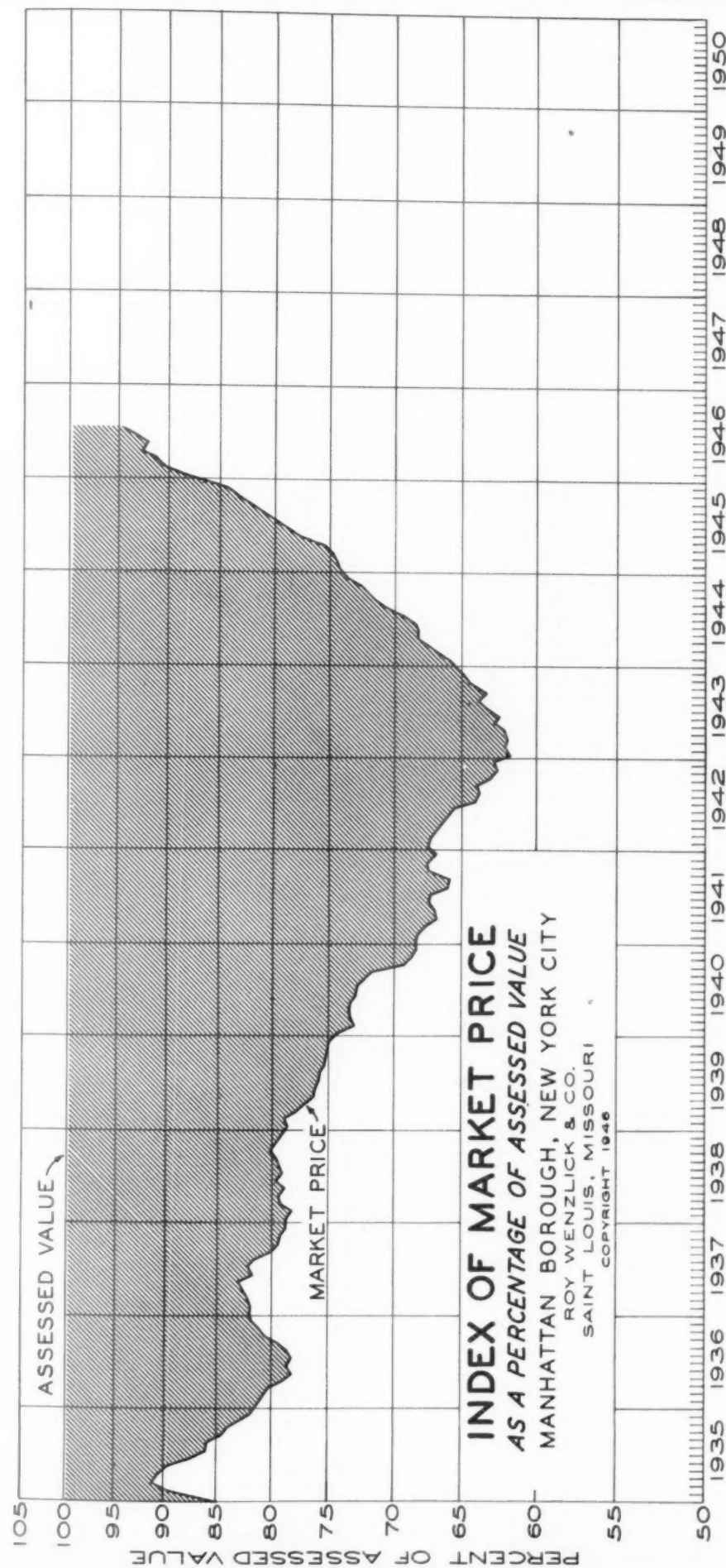
**T**HE labor difficulties during and after the First and Second World Wars are compared on the chart below. This chart shows that the number of strikes in the Second World War period exceeded the number in the First World War, and that the number in the postwar period for this war is running considerably above the corresponding period after World War I. If we follow the pattern of the First World War, labor trouble should start to decline in the relatively near future and should drop relatively rapidly during the next three to four years.

A portion of the tremendous strike losses of 1946 must be laid directly at the door of the President. His assertion shortly after the first of the year that wages could be increased without increasing prices was false, but was believed by labor which insisted on "getting its share." It didn't take very long, however, for the Administration to find out that its position could not be supported and the OPA has been forced in one commodity after another to increase ceilings to take care of the wage increases granted. It will eventually become apparent, even to the Administration, that the only way that real wages can be increased is by increasing per capita output. Whenever wages increase faster than efficiency, prices increase by the difference and the worker is no better off than he was before.

The real reason that the purchasing power of the worker in the United States surpasses that of the workers in any other country is that we have used a far larger investment of labor-saving machinery per capita than has been used any place else in the world. This has increased the output per worker in this country to the point where more could be paid in wages per hour than could be paid in any other country. Unfortunately, during the recent past, however, the output per worker has been low. It must be increased before real wages can rise further.





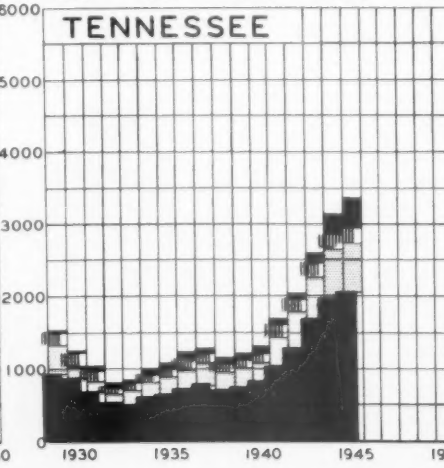
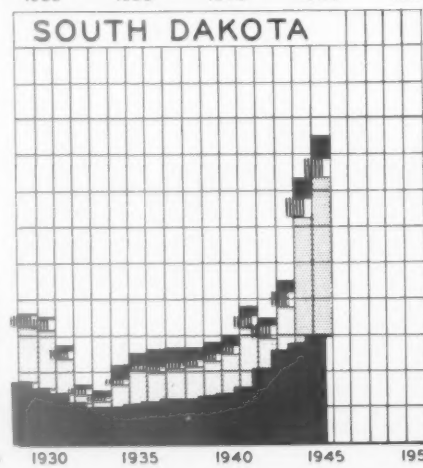
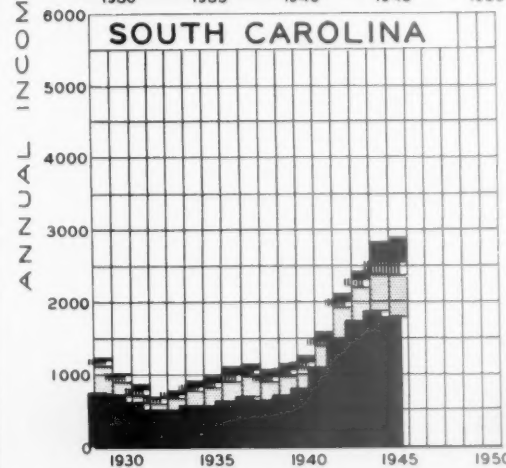
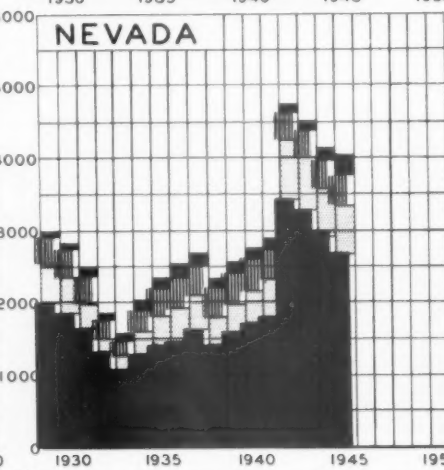
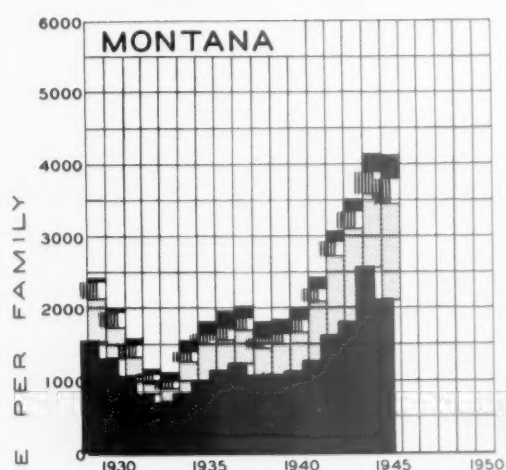
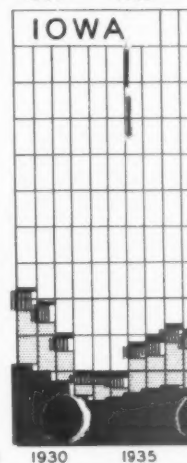
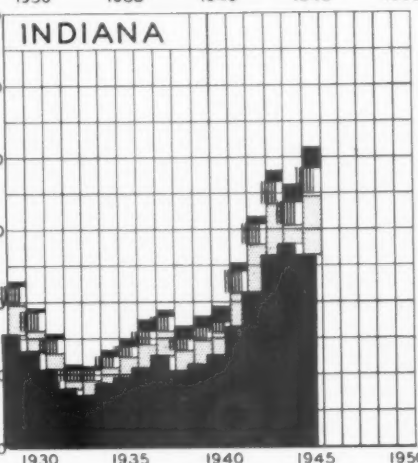
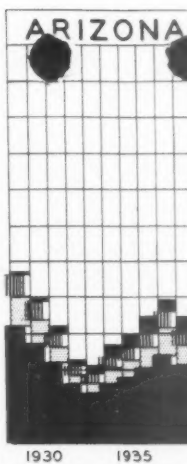
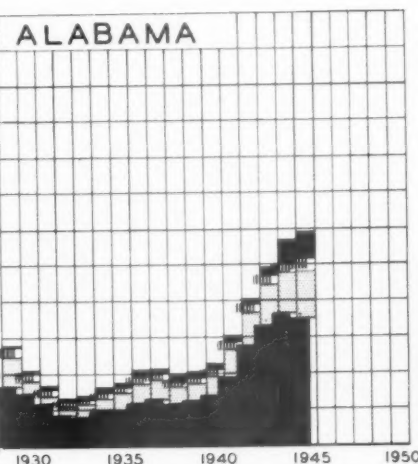
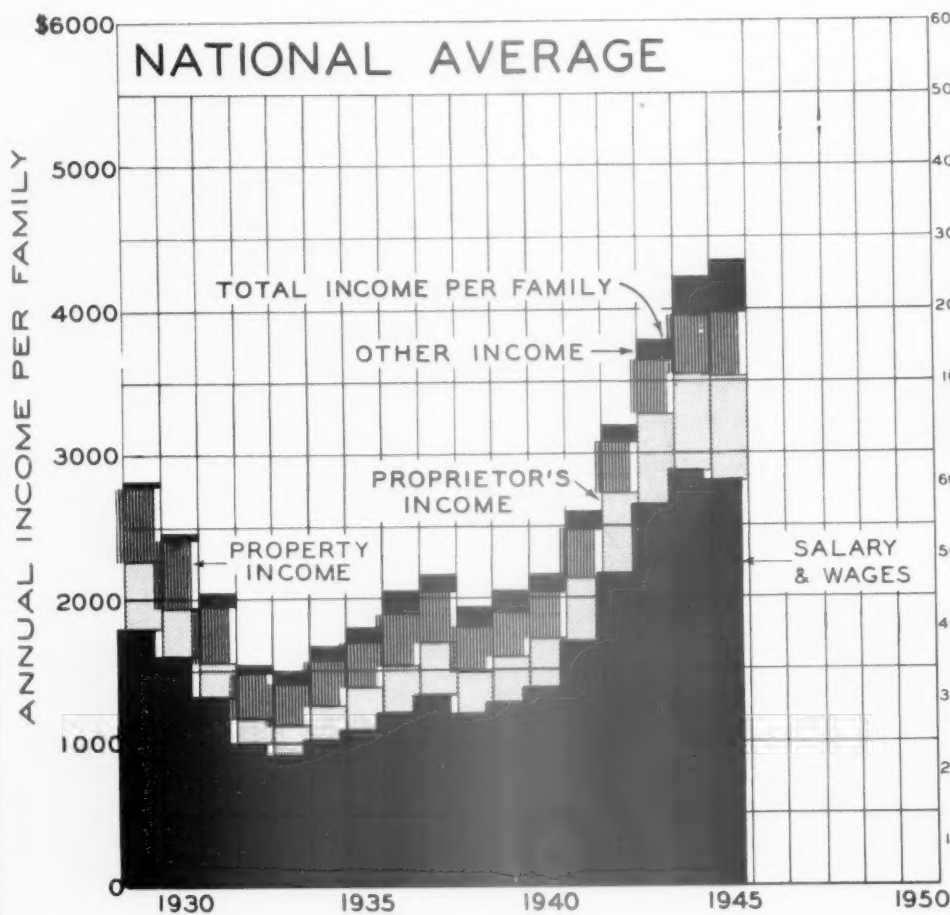


THE last figure available on the market price of Manhattan real estate is for July 1946, and it can be seen that up to that time the rise had been practically continuous since the middle of 1943.

Until the figures for September and October are available, it will be impossible to see whether the market price for this type of real estate has withstood the general drop in the security market. It seems to us that it has not withstood such a drop and that some downward movement in real estate values has occurred.

The July figure shows that Manhattan real estate was changing hands at 94.9 per cent of its assessed value.

This chart is based on the relationship of the market price of all open market sales of real estate on Manhattan Island to the assessed value at the time of the sale. During the period prior to 1943 the assessed values on many of these properties were dropping. This means that the drop in market price in relation to assessed values from 1935 to 1943 was not so great as the actual drop in market prices.

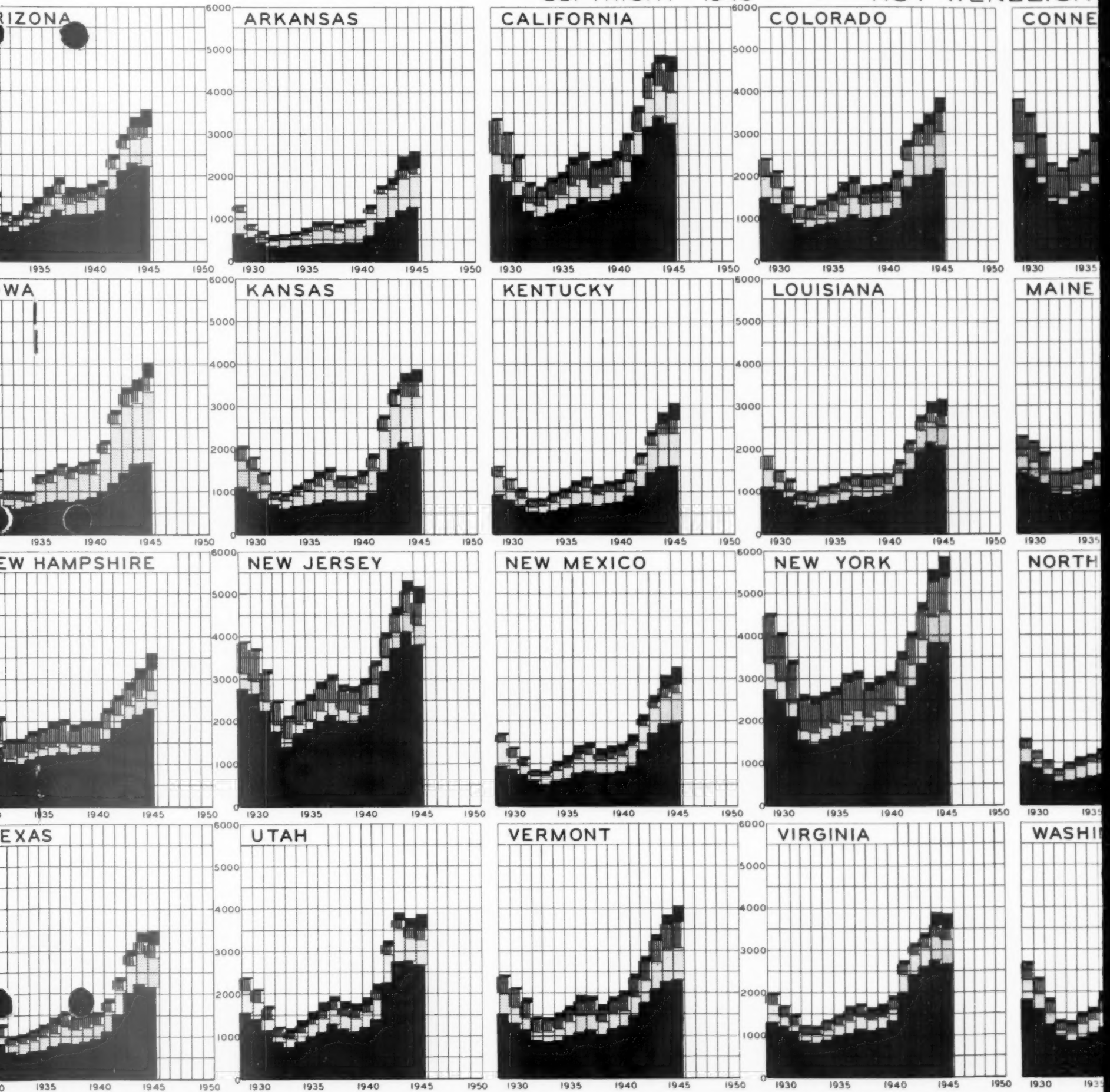




# AVERAGE INCOME PER FAMILY

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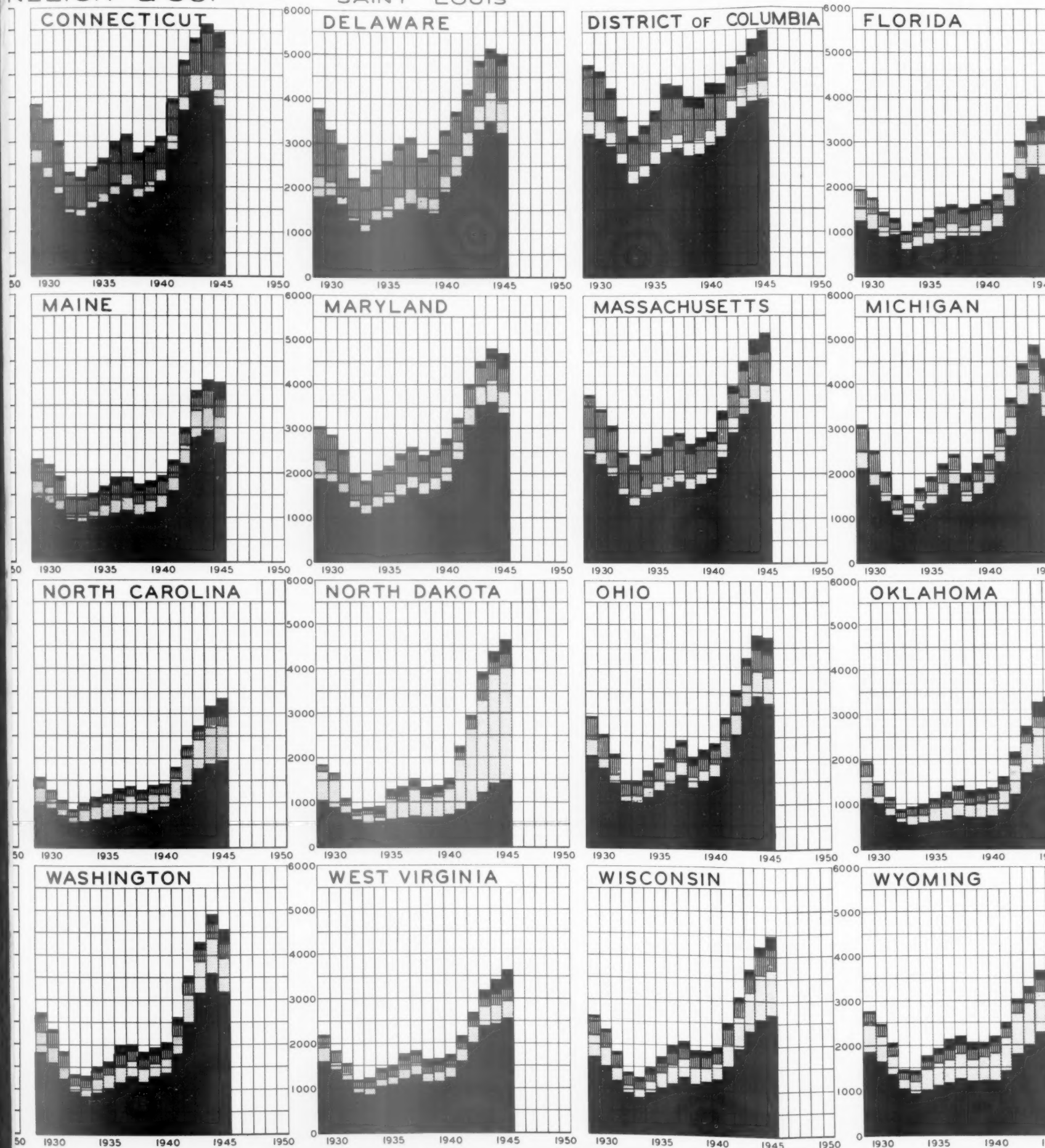


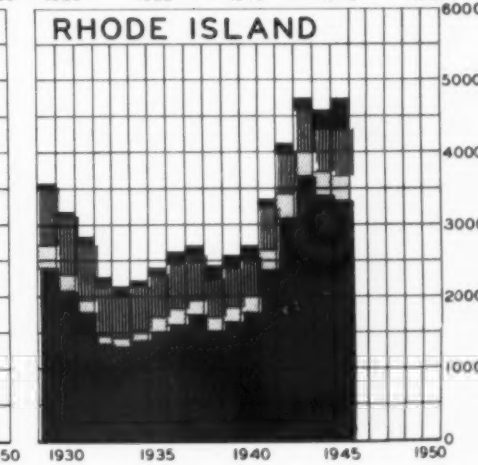
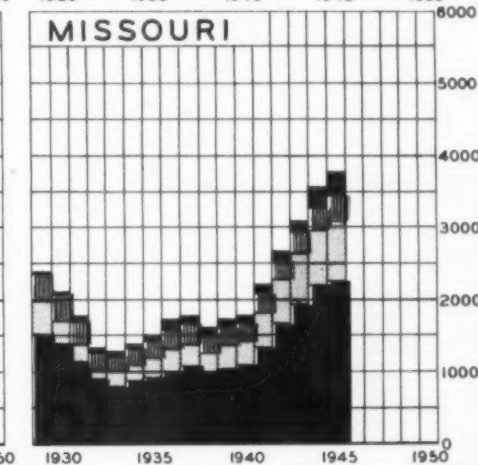
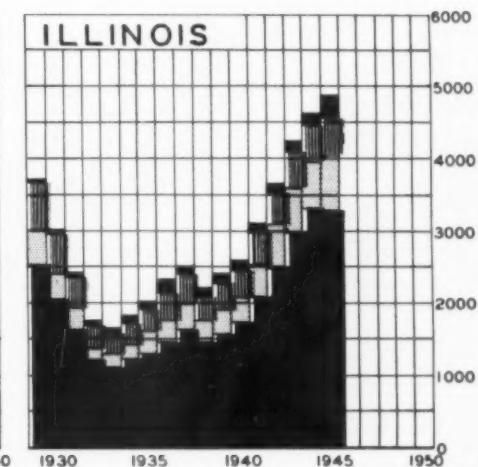
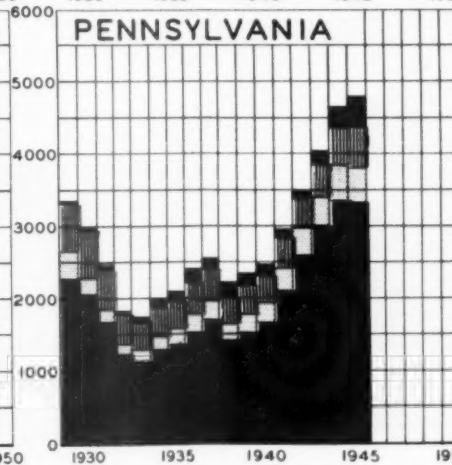
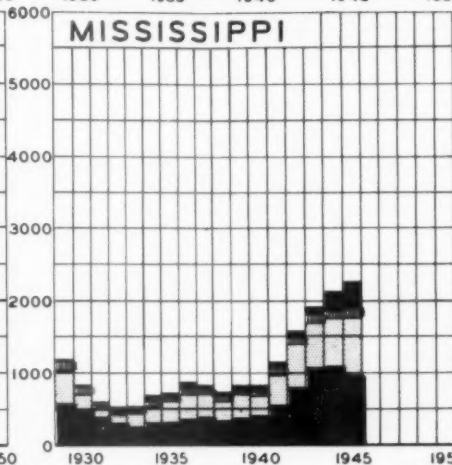
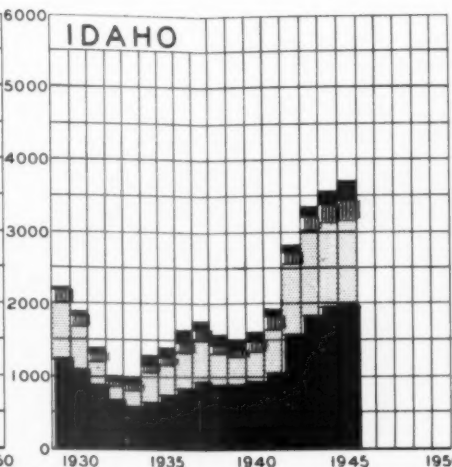
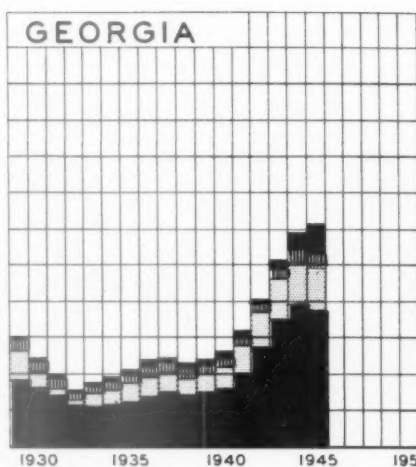
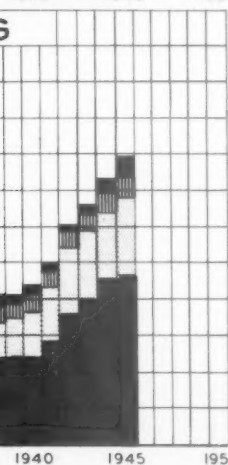
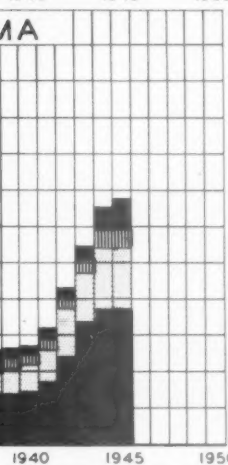
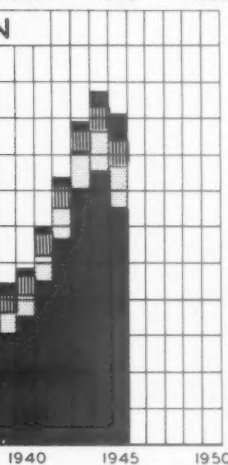
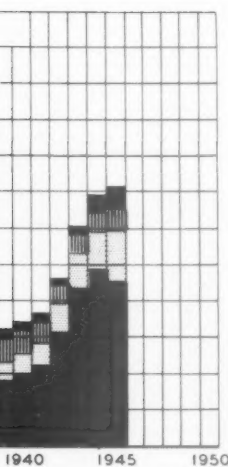


# FAMILY BY STATES 1929 - 1946

WENZLICK & CO.

SAINT LOUIS





# LEGEND



OTHER INCOME  
PROPERTY INCOME  
PROPRIETOR'S INCOME  
SALARY AND WAGES

# GOVERNMENT EXPENDITURES FROM 1910

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## GOVERNMENT EXPENDITURES IN PEACETIME

**T**HIS chart first appeared in the Real Estate Analyst of December 1942. It shows a comparison of the cost of the First and Second World Wars. The shrinkage in government expenditures in the recent past is quite striking and follows the pattern of the First World War period, but the rapid increase in the general expenses of government at the present time is quite alarming and is contrary to the First World War experience.

In preparing the material for this chart we went back over all the records of expenditures in the United States from 1789 to the present. We find that total expenditures for all purposes by the government, excluding public debt retirement, from 1789 to September 1946 totaled \$559,625,953,000. In the 144 years from 1789 to March 1, 1933, the beginning of the administration of Franklin Roosevelt, the total expenditures for all purposes except retirement of the public debt amounted to \$111,686,413,000. This included the cost of the First World War, the Civil War and the War of 1812. It included the Louisiana Purchase, the purchase of Alaska and the building of the Panama Canal. In the thirteen and a half years which have elapsed since, we have spent \$447,939,540,000, or over \$336 billion more than we spent in the preceding 144 years.

Undoubtedly much of the Second World War expense was inevitable. The increase in the general expenses of government, however, since 1933, entirely apart from the expenses for the Army and Navy, show the staggering cost of a so-called planned economy. It is high time that the revolt of the public, evident in the last few months, forces the decentralization of government and the sloughing off of unnecessary government functions and employees.

Herbert U. Nelson has just commented on the fact that Paul Porter, Price Administrator, has asked the Attorney General of the United States for a ruling on whether enforcement officers of the OPA can



Herbert U. Nelson has just commented on the fact that Paul Porter, Price Administrator, has asked the Attorney General of the United States for a ruling on whether enforcement officers of the OPA can carry arms. Apparently, the bureaucrats are finding that the only way many of their rulings can be enforced is at the point of a gun. This is a healthy sign in a country that started its independent existence with the Boston Tea Party and other refusals to accept without opposition autocratic decisions and unwarranted tax loads.

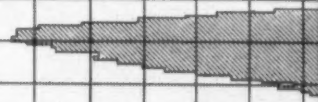
BILLIONS OF DOLLARS PER MONTH

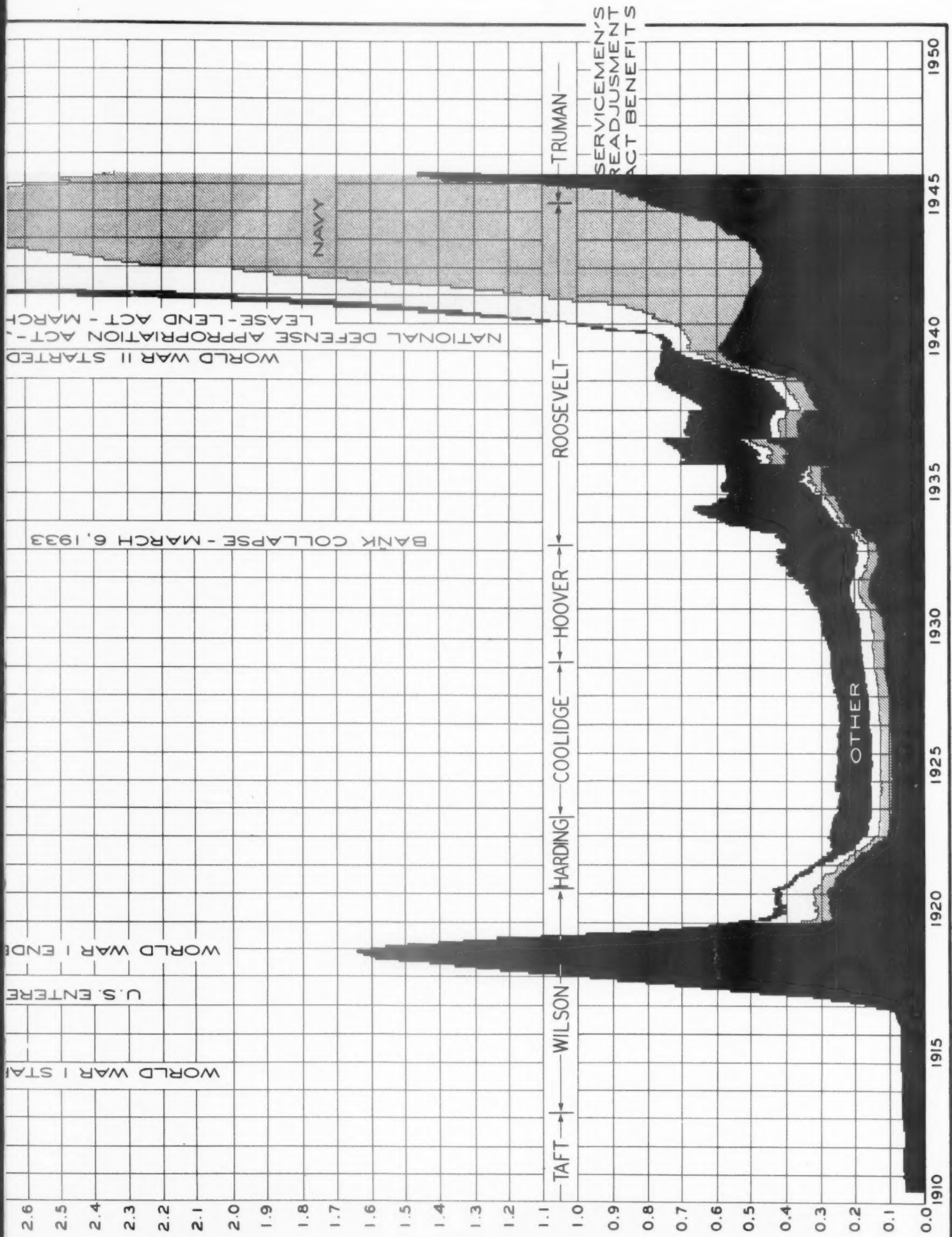
WORLD WAR I  
 STARTED - AUGUST 1, 1914  
 END OF WAR - APRIL 6, 1917  
 ARMISTICE - NOVEMBER 11, 1918

WORLD WAR II  
 U.S. ENTERED WAR - DECEMBER 8, 1941  
 SELECTIVE SERVICE & TRAINING ACT - SEPTEMBER 16, 1940  
 JUNE 26, 1940  
 NOVEMBER 11, 1941

ARMY

V-E DAY  
 V-J DAY





## APARTMENT BOND PRICES DROP

**T**HE index of apartment bond prices charted below shows that the recent drop in the stock market has also affected the values of apartment bonds. It will be noticed on this index that the depression of 1937 and 1938 had a similar effect on bond prices, but that then recovery was delayed until 1943. From 1943 until this last month the movement has been constantly upward.

The twenty-five issues selected for this index cover properties in 14 cities. The particular issues used were selected because they are sufficiently active to secure regular quotations. Issues which had complicated reorganization plans were avoided.

It was found impossible to carry the bond index back further than 1931, as prior to that time the market for real estate bonds was artificially supported by underwriting houses, regardless of the conditions of the individual properties. The rapid declines in 1931 came when the underwriters stopped supporting the market.

INDEX OF APARTMENT BOND PRICES

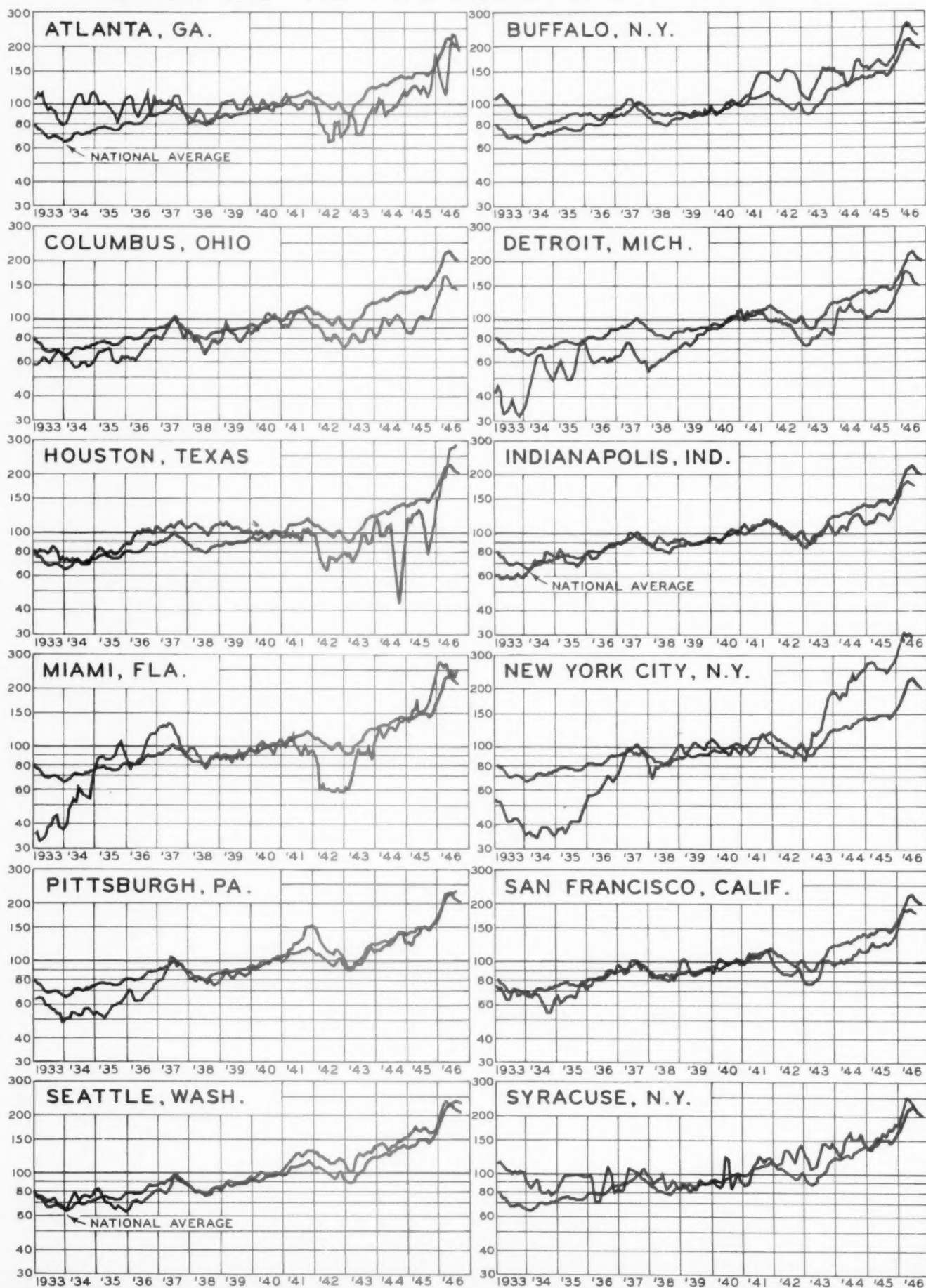
	1931	1932	1933	1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
Jan.	72.0	28.0	19.8	23.1	31.7	41.4	47.8	40.2	40.2	40.6	39.8	41.5	42.5	51.9	59.6	71.8
Feb.	69.1	26.3	18.6	24.0	32.7	42.6	47.8	40.2	40.2	41.0	39.8	41.5	43.1	53.0	60.8	71.8
Mar.	66.3	26.8	18.0	26.1	33.7	43.0	47.8	39.4	40.2	41.0	40.0	41.5	43.6	53.5	62.0	71.8
Apr.	63.6	24.7	17.6	26.9	35.0	43.4	47.8	39.4	40.2	41.0	40.8	41.5	44.9	54.0	62.0	73.2
May	59.2	22.2	18.0	28.2	36.8	43.8	47.8	39.4	40.2	39.4	40.8	41.5	46.2	54.0	62.6	73.2
June	54.4	20.0	19.6	29.0	38.7	43.8	46.9	39.4	41.0	37.6	41.2	41.5	46.2	55.1	62.6	73.9
July	50.1	20.0	20.0	29.0	39.5	44.2	46.9	39.4	41.0	38.2	41.2	41.5	47.4	56.3	64.5	74.6
Aug.	45.6	20.6	20.2	29.0	40.6	44.6	46.4	39.4	41.0	39.8	41.4	41.5	48.4	56.3	64.5	75.4
Sept.	41.5	22.0	20.8	29.0	41.0	45.5	44.5	39.4	41.4	39.8	41.4	41.5	48.4	56.5	65.1	75.4
Oct.	36.5	22.0	20.8	29.3	41.0	46.4	43.2	40.2	41.0	39.8	41.4	41.7	50.4	56.8	65.8	72.4
Nov.	32.1	21.7	21.6	29.9	41.0	46.4	40.6	40.6	41.0	39.8	41.8	42.5	50.9	56.8	65.8	
Dec.	29.2	20.8	22.0	31.4	41.4	47.3	40.6	40.2	41.0	39.8	40.5	42.5	50.9	58.5	67.1	





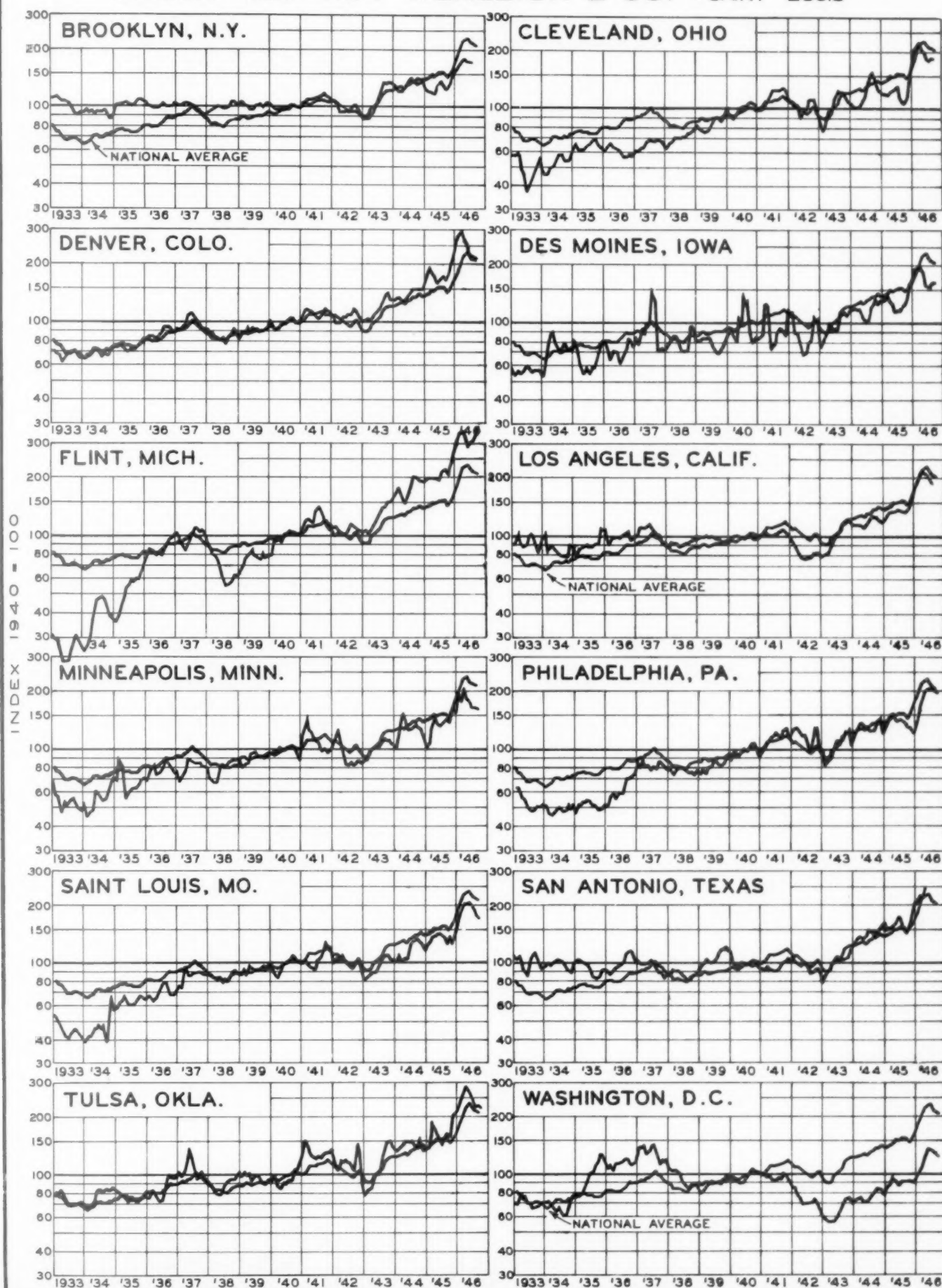
# REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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# REAL ESTATE TRANSFERS IN PRINCIPAL CITIES

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# ESTIMATED NUMBER OF NEW NONFARM DWELLING UNITS STARTED

1920 .....	247,000	1925 .....	937,000	1930 .....	330,000	1935 .....	221,000
1921 .....	449,000	1926 .....	849,000	1931 .....	254,000	1936 .....	319,000
1922 .....	716,000	1927 .....	810,000	1932 .....	134,000	1937 .....	336,000
1923 .....	871,000	1928 .....	753,000	1933 .....	93,000	1938 .....	406,000
1924 .....	893,000	1929 .....	509,000	1934 .....	126,000	1939 .....	515,000

## MONTHLY FIGURES

	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945</u>	<u>1946</u>
January	32,300	25,700	41,200	34,500	45,000	17,300	7,600	40,300
February	30,700	36,900	43,700	51,300	40,100	13,500	8,400	48,200
March	42,900	46,000	60,200	52,700	33,000	18,100	12,300	67,100
April	42,900	62,900	75,200	59,700	26,700	14,300	18,300	76,600
May	53,300	57,000	70,700	60,600	33,600	16,500	16,900	73,000
June	45,900	44,100	77,200	46,300	21,800	17,500	20,300	72,000
July	44,200	57,600	74,600	26,700	24,200	14,500	20,100	64,900
August	51,200	55,800	69,800	27,500	27,600	12,800	17,100	65,000
September	42,400	58,400	67,000	40,400	24,300	11,300	17,900	
October	42,900	66,200	56,200	32,200	28,100	10,800	25,500	
November	45,100	44,900	46,600	30,400	26,100	11,600	30,600	
December	41,200	47,000	32,800	34,300	19,500	10,800	30,300	

## CUMULATIVE FIGURES

January	32,300	25,700	41,200	34,500	45,000	17,300	7,600	40,300
February	63,000	62,600	84,900	85,800	85,100	30,800	16,000	88,500
March	105,900	108,600	145,100	138,500	118,100	48,900	28,300	155,600
April	148,800	171,500	220,300	198,200	144,800	63,200	46,600	232,200
May	202,100	228,500	291,000	258,800	178,400	79,700	63,500	305,200
June	248,000	272,600	368,200	305,100	200,200	97,200	83,800	377,200
July	292,200	330,200	442,800	331,800	224,400	111,700	103,900	442,100
August	343,400	386,000	512,600	359,300	252,000	124,500	121,000	507,100
September	385,800	444,400	579,600	399,700	276,300	135,800	138,900	
October	428,700	510,600	635,800	431,900	304,400	146,600	164,400	
November	473,800	555,500	682,400	462,300	330,500	158,200	195,000	
December	515,000	602,500	715,200	496,600	350,000	169,000	225,300	

## 12-MONTH MOVING TOTALS

January		508,400	618,000	708,500	507,100	322,300	159,300	258,000
February		514,600	624,800	716,100	495,900	295,700	154,200	297,800
March		517,700	639,000	708,600	476,200	280,800	148,400	352,600
April		537,700	651,300	693,100	443,200	268,400	152,400	410,900
May		541,400	665,000	683,000	416,200	251,300	152,800	467,000
June		539,600	698,100	652,100	391,700	247,000	155,600	518,700
July		553,000	715,100	604,200	389,200	237,300	161,200	563,500
August		557,600	729,100	561,900	389,300	222,500	165,500	611,400
September		573,600	737,700	535,300	373,200	209,500	172,100	
October		596,900	727,700	511,300	369,100	192,200	186,800	
November		596,700	729,400	495,100	364,800	177,700	205,800	
December	515,000	602,500	715,200	496,600	350,000	169,000	225,300	





# The Real Estate TRENDS

OCTOBER 29  
1946

A concise monthly digest of real estate and construction fundamentals and trends.....A part of the complete service known as the Real Estate Analyst Reports.

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

## REAL ESTATE ACTIVITY

Voluntary transfers of urban real estate during September, the last month for which figures are available, declined to 73.5 per cent above the long-term computed normal. This contrasts with the peak of 86.3 per cent above in May and represents a drop from the peak of approximately 15 per cent in activity. Price eventually follows activity, and as the market becomes less active the very high prices which have been paid for real estate will shrink. This is already noticeable in many communities where the public is no longer willing to buy any shelter at any price.

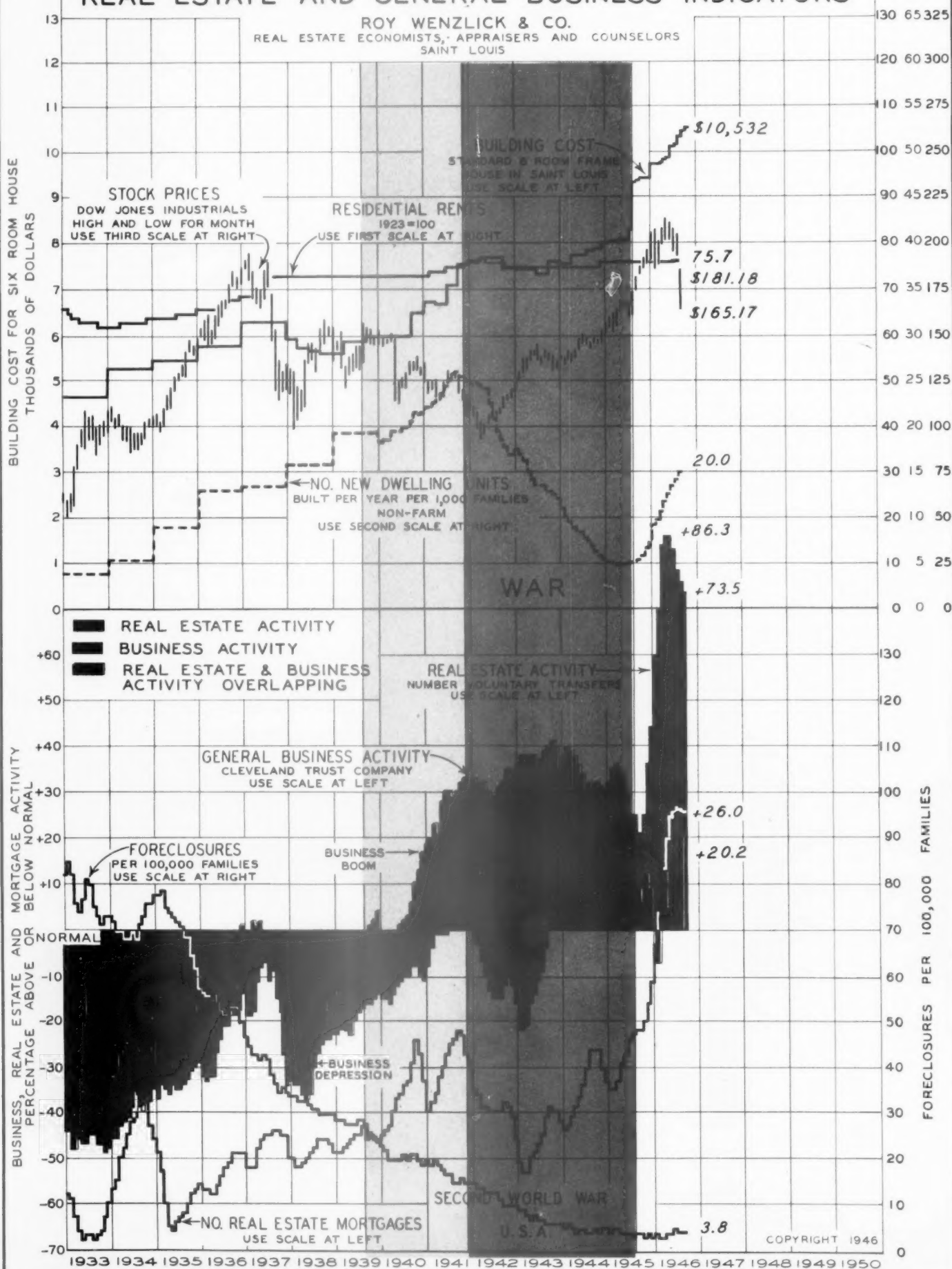
It should be pointed out, however, that real estate activity in the average city at 73.5 per cent above normal is still considerably above the peak of the boom of the twenties, when activity reached 41 per cent above normal.

We will be rather surprised if real estate activity does not continue to decline during the next six months, and we rather doubt whether it will hit again the level of this last May during the next 15 years. If a minor depression develops during 1947 this will accelerate the drop in real estate activity with an upward reaction again in either 1948 or 1949, but the second upward movement will not go as high as the one we have just experienced. The high selling prices of real estate during this period were due not only to the increased cost of building new buildings (this in the long run affects the values of all existing buildings), but to the extreme scarcity of dwelling units in practically all urban communities. A large contributing factor to this scarcity was the fact that residential rents had been frozen at a level 14 per cent below the long-term average, while wages have advanced to a point 81 per cent above the long-term average. The demand for housing is not fixed in quantity but varies, as does the demand for practically all other commodities, with the changes in income. When incomes increase rapidly and rents remain constant each family tries to improve its living conditions. The family that formerly lived in furnished rooms attempts to move to a separate dwelling unit. The single individual who formerly shared living quarters with others or who occupied a furnished room, now attempts to get a bachelor apartment. Those in the least desirable housing in the community in dilapidated and obsolete buildings attempt to move to better neighborhoods.

These attempts of each family unit to better its living conditions are quite laudable and, under ordinary circumstances, should be encouraged, but the difficulty is that at the present time, particularly under government red tape and restrictions, the supply of housing units cannot be increased rapidly enough to take care of the increased housing demand. Although the supply of housing exceeded

# REAL ESTATE AND GENERAL BUSINESS INDICATORS

ROY WENZLICK & CO.  
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS  
SAINT LOUIS



# BUILDING COSTS OF A STANDARD FIVE ROOM BRICK VENEER RESIDENCE BUILT IN ST. LOUIS



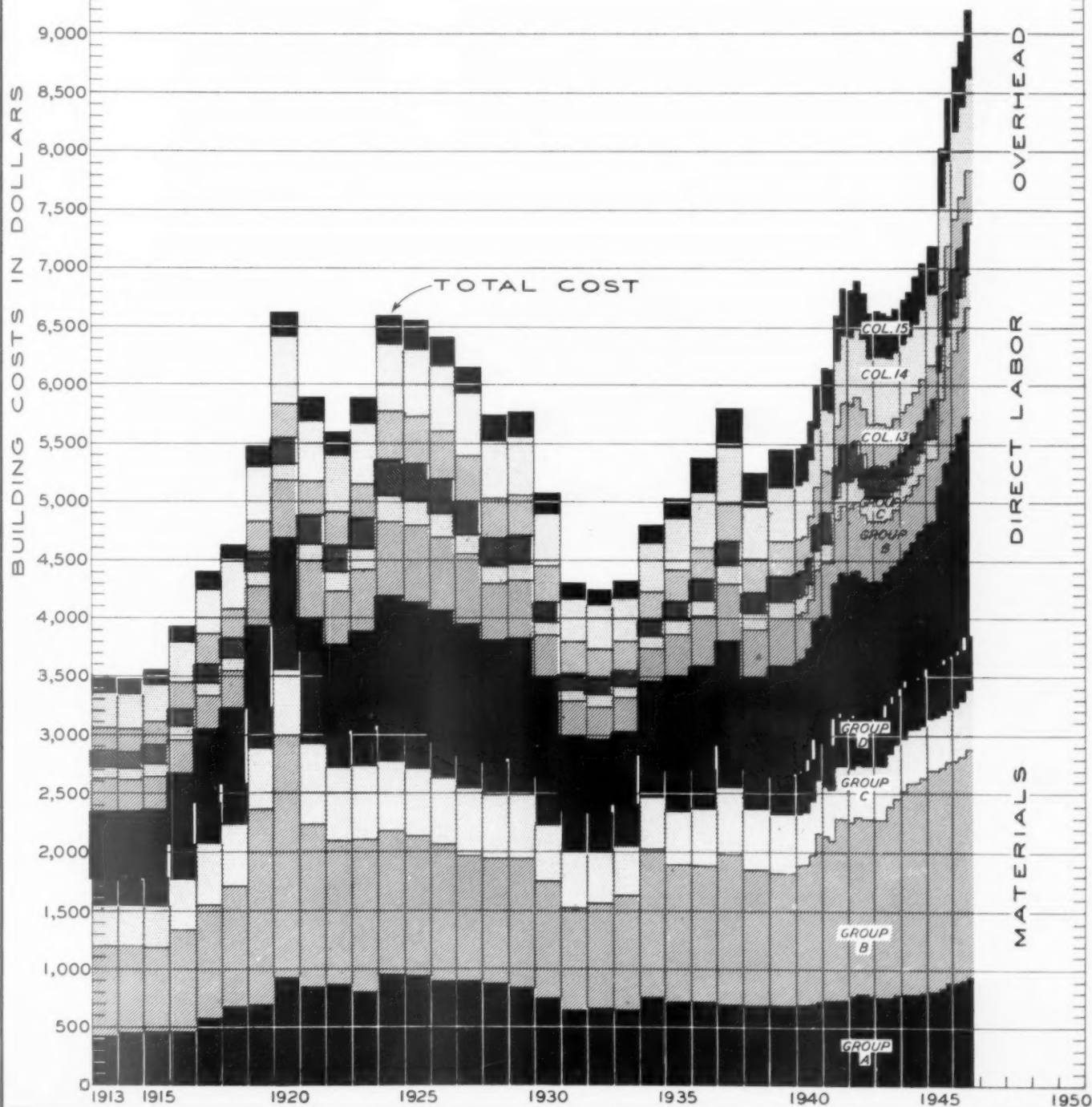
23,913 CUBIC FEET



FIRST FLOOR PLAN



BASEMENT PLAN





# BUILDING COSTS OF A STANDARD FIVE ROOM BRICK VENEER RESIDENCE BUILT IN ST. LOUIS

Costs are grouped into four classifications of material, four of labor and three of overhead. A further breakdown of these groups is given in detail below. Columns of the table are numbered, and a brief description of the items included in each is given in the paragraphs below. Paragraphs are numbered to correspond with the columns described. Building material costs are indicated by the letter **M**, corresponding labor items, in red by the letter **L**.

\* Nonlabor items are shown in Column 10, Building Hardware, as they have already been included in Column 5, Millwork.

## Group A

(1) Masonry: Cement, sand, gravel, quick lime, hydrated lime, hard wall plaster, face and common brick, fire brick, flue lining.

(2) Tile Work: 4-1/4 x 4-1/4 wall tile, ceramic floor tile, cap and base.

## Group B

(3) Unfinished Lumber: "H" columns, "I" beams, floor and ceiling joists, interior and exterior studs, rafters, bracing, etc.

(4) Finished Lumber: Sub-flooring, sheathing, finished floors, asphalt shingle roofing, roofing felt, shutters, etc.

(5) Millwork: Windows, doors, trim, kitchen cabinet, stairs.

## Group C

(6) Heating: Furnace, blower, ducts, registers and metal work.

(7) Plumbing: Soil pipes and connections, stack, water pipe and connections, lead oakum and bathroom fixtures, hot water heater and tank to be furnished by others.

## Group D

(8) Sheet Metal: Galv. iron (present) gutters, downspouts, flashing.

(9) Electrical Work: Main switch, BX cable, switch boxes, receptacles, transformer, etc. No fixtures included.

(10) Nails and Hardware: Common and wire nails, bolts, damper, ash doors, finish hardware, bonding clips.

(11) Painting: White lead, linseed oil, turpentine, varnish, shellac, filler.

(12) Miscellaneous: Wood laths, corner bead, insulation.

## Total Material and Labor Costs

## Group E

(13) Overhead and profit of subcontractors in plastering, metal work, heating, plumbing, electrical work and tile work.

(14) General contractor's profit.

(15) Missouri sales tax (now 2% on materials), old age and unemployment tax (Federal and State), liability and employees' compensation insurance, fire and tornado insurance, completion bond.

(16) Total overhead, profit and other costs.

## TOTAL CONSTRUCTION COST

Year	GROUP A				GROUP B				GROUP C				GROUP D				GROUP E					TOTAL									
	(1)		(2)		(3)		(4)		(5)		(6)		(7)		(8)		(9)		(10)		(11)		(12)		Total		(13)	(14)	(15)	(16)	
	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M	L	M		L	M	L	M					L
1913	\$397	\$ 577	\$ 15	\$ 5	\$280	\$ 98	\$ 242	\$ 81	\$272	\$ 87	\$122	\$ 18	\$224	\$ 87	\$65	\$14	\$36	\$38	\$68	\$24	\$ 46	\$ 30	\$ 37	\$177	\$1088	\$192	\$305	\$122	\$ 619	\$ 3482	
1914	437	577	15	5	265	98	225	81	272	87	115	18	228	87	59	14	33	38	68	24	46	29	37	1770	1088	188	305	122	615	3473	
1915	445	577	15	5	263	105	202	88	255	95	129	19	245	92	68	15	38	41	71	25	55	26	39	1782	1131	201	311	125	637	3550	
1916	453	599	15	5	346	105	239	88	265	95	151	19	283	92	101	15	56	41	82	32	55	30	39	2073	1153	226	345	133	704	3930	
1917	559	638	16	5	389	108	275	88	312	95	206	19	314	96	108	15	60	43	92	41	55	35	39	2407	1199	255	386	143	784	4390	
1918	655	654	16	6	395	116	311	96	353	103	191	21	321	97	95	16	53	43	96	47	59	40	41	2573	1252	253	408	150	811	4638	
1919	769	708	16	6	551	124	554	103	575	111	192	22	324	102	83	18	46	45	94	48	64	71	44	3223	1347	256	483	169	908	5478	
1920	909	736	18	6	622	177	646	147	801	158	243	32	338	119	83	25	46	52	108	59	91	82	50	3955	1593	283	583	202	1068	6616	
1921	826	772	16	7	487	182	512	151	397	162	180	33	503	123	64	26	36	54	85	47	93	65	61	3218	1664	295	518	195	1008	5890	
1922	752	771	16	7	396	169	386	140	443	151	166	30	470	130	64	24	36	57	78	43	86	49	58	2999	1623	288	491	188	967	5589	
1923	783	844	16	8	445	195	437	162	424	173	194	35	442	146	70	28	39	64	85	43	100	56	69	3034	1824	299	516	205	1020	5878	
1924	749	995	201	135	427	238	428	198	379	191	196	43	397	176	64	34	36	78	86	53	122	54	82	3070	2292	412	577	245	1234	6596	
1925	744	994	201	135	412	244	403	203	364	218	191	44	398	164	68	35	38	72	83	56	125	51	83	3009	2311	410	574	246	1230	6556	
1926	695	994	201	135	417	233	420	193	334	208	182	42	396	156	69	35	38	69	82	54	119	51	76	2939	2260	404	560	240	1204	6403	
1927	697	994	201	135	390	221	398	184	275	198	179	40	396	129	67	32	37	52	82	51	114	49	76	2822	2175	392	539	231	1162	6159	
1928	696	917	168	123	430	179	361	148	290	159	168	32	377	120	71	26	40	52	82	47	91	44	62	2774	1909	343	503	208	1054	5737	
1929	693	917	149	123	425	179	390	148	294	159	169	32	376	120	82	26	46	52	83	49	91	47	62	2798	1909	349	506	208	1063	5770	
1930	594	727	149	123	394	131	370	110	243	118	161	24	337	91	71	19	39	39	75	49	68	163	47	2645	1497	313	445	172	930	5072	
1931	525	570	125	72	346	105	326	88	198	95	157	19	321	74	58	15	32	32	68	47	55	152	39	2355	1164	263	378	139	780	4929	
1932	547	570	112	65	297	105	386	88	221	95	146	19	288	74	50	15	28	32	67	42	55	152	39	2336	1157	243	374	138	755	4248	
1933	544	570	105	65	377	105	320	88	279	95	146	19	282	74	52	15	29	32	63	39	55	164	39	2400	1157	241	380	139	760	4317	
1934	657	570	98	65	452	105	427	88	388	95	152	19	293	74	55	15	31	32	68	39	55	170	39	2830	1157	246	423	147	816	4803	
1935	625	727	91	84	402	131	365	110	411	118	156	24	303	91	43	19	24	39	66	39	68	173	47	2698	1458	261	442	169	872	5028	
1936	623	794	91	84	380	155	370	127	385	136	161	27	315	106	50	21	28	45	66	41	77	168	52	2716	1624	279	462	305	1046	5386	
Ja 1937	614	813	91	84	405	181	406	149	419	136	212	56	326	106	59	26	33	45	69	44	82	173	52	2851	1730	311	489	320	1120	5701	
Ap 1937	610	813	91	84	441	181	440	149	464	159	212	56	358	106	55	26	30	45	69	46	82	173	52	2989	1753	316	503	327	1146	5881	
Ja 1937	606	837	91	84	438	181	446	149	465	159	212	56	354	127	53	26	29	45	68	46	82	173	52	2981	1798	320	509	333	1162	5941	
O 1937	606	811	91	84	376	179	408	148	465	159	212	56	352	106	48	26	27	45	69	46	82	170	52	2870	1748	314	492	323	1129	5747	
Ja 1938	606	701	83	84	376	158	358	128	464	136	204	48	335	103	48	22	27	45	69	42	68	170	41	2782	1535	295	461	294	1050	5367	
Ap 1938	606	701	83	84	352	158	335	129	465	136	201	48	327	103	45	22	25	45	69	41	68	168	41	2717	1535	292	454	292	1038	5290	
Ja 1938	610	701	83	84	352	158	340	129	430	121	205	48	307	103	45	22	25	45	68	42	68	168	41	2675	1520	289	448	288	1025	5220	
O 1938	610	680	83	84	357	138	340	113	430	120	205	42	307	103	48	20	27	45	68	42	68	168	41	2685	1454	285	442	281	1008	5147	
Ja 1939	610	680	83	97	362	138	349	113	413	120	206	42	308	103	49	20	27	45	69	42	68	144	41	2662	1467	289	442	281	1012	5141	
Ap 1939	604	884	83	97	357	160	348	133	399	143	206	50	295	106	48	23	27	45	68	43	91	144	62	2622	1794	307	472	319	1098	5514	
Ja 1939	611	884	83	97	354	160	343	133	398	143	208	50	296	106	46	23	26	45	67	44	91	144	62	2620	1794	307	472	319	1098	5512	
O 1939	609	884	83	97	409	160	395	133	398	143	208	50	263	106	52	23	29	45	68	45	91	144	62	2703	1794	303	480	322	1105	5602	
Ja 1940	609	853	83	97	399	152	371	129	419	127	215	50	228	106	58	21	32	45	69	45	73	144	62	2672	1715	294	468	311	1073	5460	
Ap 1940	609	853	83	97	405	152	359	129	439	127	215	50	231	106	63	21	35	45	69	47	73	144	62	2699	1715	301	472	313	1086	5500	
Ja 1940	609	853	83	97	410	152	359	129	439	127	215	50	231	106	62	21	35	45	69	49	73	144	62	2706	1715	301	489	313	1103	5524	
O 1940	609	852	114	108	505	157	444	131	486	128	215	50	244	127	63	21	31	45	70	51	73	153	71	2985	1763	317	507	330	1156	5904	
Ja 1941	621	986	114	108	503	176	450	147	488	142	218	56	210	132	60	23	28	45	73	52	82	153	79	2970	1976	364	531	355	1250	6101	
Ap 1941	591	974	126	108	480	176	413	147	481	142	218	56	217	124	60	23	28	50	75	52	102	153	79	2894	1981	324	520	352	1196	6079	
Ja 1941	611	1012	126	108	590	202	445	169	485	164	219	56	217	124	87	23	27	50	77	55	102	165	79	3104	2089	331	552	373	1256	6449	
O 1941	613	1095	126	108	608	219	439	183	507	178	219	90	230	143	100	36	33	56	85	56	114	170	79	3186	2301	356	584	402	1342	6829	
Ja 1942	613	1113	138	108	538	224	431	185	507	178	219	90	241	144	58	36	49	56	84	56	114	172	80	3106	2328	358	579	403	1340	6774	
Ap 1942	640	1113	138	108	541	224	451	185	525	178	219	90	235	144	58	36	51	56	84	58	114	171	80	3171	2328	358	586	405	1349	6848	
Ja 1942	640	1113	138	108	542	227	449	187	525</																						



the demand in 1940 by between 6 and 7 per cent and the supply has been increased since 1940 by approximately the same percentage as the population has increased, the higher incomes with the more elaborate housing demands have created the greatest housing shortage in our history. Many persons have been unable to rent housing and have been forced to buy at inflated prices. In our opinion, higher rents would have rationed existing housing with better results than we have achieved under existing rent ceilings. Rent control has not helped the veteran who came back after all tenant units were rented. It would have been far better for him to have paid a higher rent for a while and be able to rent, than to buy at premium prices with the greater part of the building represented by a long-term mortgage which would stabilize his housing cost at a high level for the next 20 years. Neither has it benefited the civilian tenant, because the extremely low return on rented units has encouraged most owners to sell these units to persons needing shelter. The civilian tenant in a large percentage of cases has been given a notice to vacate and has had to secure shelter through purchase again at premium prices.

We have constantly said that the best cure for high rents is high rents. When rents are high, it is profitable to build. When it is profitable to build, many persons build. When many persons build, the housing shortage disappears and a surplus accumulates. When a surplus accumulates, owners compete against each other for tenants and rents drop. Thus runs the cycle.

**REAL ESTATE MORTGAGES** Real estate mortgage activity for the first time in almost two years showed a slight drop over the preceding month. This is apparently due to two causes - the drop in transfers on existing properties, and the relatively poor showing which new building is making in comparison with the aims announced at the beginning of the year.

It would not be at all surprising if real estate mortgage activity would hover around its present approximate level for a short time, with a chance that it may decline during a part of 1947. This will be true if construction volume fails to record gains next year, and there is some chance that this may be true for reasons explained further on in this report.

**FORECLOSURES** Our foreclosure index continues to hug the bottom line of the chart, dropping in September to the lowest point reached in the last five months. As long as foreclosures remain low there is no immediate danger of a sudden collapse in values. The present abnormal market for real estate will shrink, but will remain above normal until foreclosures have shown a constant rise for several years. This has always been the case in the past and there seems to be no reason for thinking that this sequence will be broken in the future.

**RESIDENTIAL BUILDING** If we continue the present government controls on new building with rent ceilings at their present level, the volume of new building during 1947 will be quite disappointing. As long as we limit new building to veterans, we have limited new building to those who can afford it least, and this market will be quickly exhausted.



## CONSTRUCTION COSTS

The table and chart in the center spread of this report show the cost of building a standard five-room brick veneer residence in St. Louis from 1913 to the present. The walls of this building are frame with a face brick veneer. It will be noticed that the cost of building this house is less than the six-room frame house used in our reports in the past. However, the six-room frame house has 25,376 cubic feet in contrast with only 23,913 cubic feet in the brick veneer. The frame house on a cost-per-cubic-foot basis costs 5.7 per cent more than the brick veneer.

The cost of building the standard six-room frame house in St. Louis this month is \$10,532.

## RENTS

For the first time in the last few years we think that there is a chance that rent control may be modified within the foreseeable future. We think that the proposition endorsed by the National Association of Real Estate Boards has a good possibility of passing the next session of Congress. This provides for the elimination of rent control on March 31, 1947, for all units where the owner is willing to give a one-year lease at a rental not more than 15 per cent above the level of September 1946. The almost complete breakdown of the OPA will make it difficult for Congressmen to discriminate solely against property owners.

## BUSINESS ACTIVITY

From the low of last May when business activity in the United States was only 5.2 per cent above normal it has continued to rise. While it is not nearly so high as it went during the war boom, it is still higher than it was at any time during the boom of the twenties. One of the great difficulties, however, is the fact that under government restrictions a great deal of business is being operated without a profit sufficiently large to justify the effort, and this lack of incentive will undoubtedly adversely affect the general business situation in 1947. "Profitless prosperity" can only continue for a limited period.

## STOCK MARKET

If the stock market has reached the low after the very sizable drops we have experienced, it will be the first time that a drop of this size has occurred without further drops after minor reactions. This can be seen by studying the chart in this issue, in the Real Estate Trends Report of September 30, and for the long period, the large wall chart published the first of the year. Probably the drop in the market will approximate the 1937 drop. This brought about quite a reaction in business during 1937 and 1938. We do not anticipate any drop, either in the market or in business, similar to the 1929 experience.